

## ATTACHMENT 2

### RESOLUTION NO. 2026-XX

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, ACCEPTING THE STORM DRAINAGE IMPACT FEE NEXUS STUDY AND ADOPTING THE SANTA ANA WATERSHED AND NEWPORT BAY WATERSHED STORM DRAINAGE IMPACT FEES FOR NEW DEVELOPMENT IN THE CITY OF COSTA MESA, ADOPTING A CAPITAL IMPROVEMENT PLAN AS PART OF THE NEXUS STUDY, ESTABLISHING THE FEE AMOUNTS, AND MAKING FINDINGS OF EXEMPTION PURSUANT TO CEQA**

**WHEREAS**, California Government Code section 66000, *et seq.* enables cities to charge impact fees for storm drainage facilities; and

**WHEREAS**, section 15-65 of the Costa Mesa Municipal Code authorizes the City Council to, by resolution, establish a development impact fee program based on a capital improvement plan; and

**WHEREAS**, in 2006, by Ordinance No. 06-19, the City Council established a drainage impact fee program and the rate of the drainage impact fee based upon the Master Plan of Drainage Update and Drainage Fee Study; and

**WHEREAS**, the Drainage Impact Fees have not been updated since 2006; and

**WHEREAS**, the City Council accepted Phase 1 of the Storm Drain System Master Plan Update on October 15, 2024 including the Existing Conditions Assessment Report (ECAR) and the Proposed Drainage & Water Quality Improvements Report, both dated October 2024; and

**WHEREAS**, the City has determined that existing storm drainage facilities are reaching capacity and that the City requires a cost-effective and efficient way of serving future residents and employees while maintaining adopted levels of service; and

**WHEREAS**, the City desires to charge the Newport Bay Watershed and Santa Ana Watershed Impact Fees upon development projects to ensure that new development contributes its fair share to storm drainage facilities in the City consistent with the City's adopted standards; and

**WHEREAS**, the City contracted with Harris & Associates to perform a study for the Storm Drain Impact Fees demonstrating the reasonable relationship between the need for the fee and the type of development on which the fee will be imposed and determining

## ATTACHMENT 2

the amount of the fee based on the reasonable relationship between the fee and the type of development project on which the fee will be imposed; and

**WHEREAS**, Harris & Associates prepared and submitted a Storm Drainage Impact Fee Nexus Study, dated February 2026, attached hereto as Attachment C and incorporated herein by reference as the “Nexus Study”; and

**WHEREAS**, the Nexus Study substantiates a methodology that will charge each new development project only for the costs necessary to mitigate the impacts expected to be caused by that development project; and

**WHEREAS**, there is a reasonable relationship and an essential nexus between the Storm Drain Impact Fees and the development projects on which the Fees will be imposed because the Fees will only fund costs necessitated by each new development; and

**WHEREAS**, the Storm Drain Impact Fees will not exceed the estimated reasonable cost of providing the land and facilities for which the Fees are imposed; and

**WHEREAS**, the Storm Drain Impact Fees will not be levied, collected or imposed for general revenue purposes, but are levied specifically to fund drainage facilities of the types set forth in the Nexus Study; and

**WHEREAS**, pursuant to Government Code sections 66016, 66016.5, 66018, 66019, and 6062a, the City must adopt the updated Storm Drain Fees only after notice and public hearing; and

**WHEREAS**, pursuant to Government Code sections 66002, 66016.5, 66018, 66019, 6062a, a notice of a public hearing on the proposed fee schedule and the adoption of the Nexus Study, including the Storm Drain Impact Fee and Capital Improvement Plan, was published in the Daily Pilot, a newspaper of general circulation; and

**WHEREAS**, pursuant to Government Code Sections 66019 and 66016.5, notice of the time and place of the meeting, including a general explanation of the matters to be considered and a statement that required data is available was mailed at least thirty (30) days prior to the meeting to those members of the public who filed a written request with the City; and

## ATTACHMENT 2

**WHEREAS**, at least ten (10) days prior to the public hearing referenced above, the City made available for public inspection information required under Government Code section 66000, *et seq.*; and

**WHEREAS**, a primary purpose of this resolution is to accept the Storm Drainage Impact Fee Nexus Study as part of the adopted Storm Drain System Master Plan Update; to adopt the Newport Bay Watershed and Santa Ana Watershed Impact Fees funding the drainage facilities identified in the Master Plan Update; and to adopt the Capital Improvement Plan as part of the Nexus Study; and

**WHEREAS**, the Newport Bay Watershed and Santa Ana Watershed Impact Fees are necessary because new development increases the need for drainage facilities within each respective watershed in the City of Costa Mesa, and the City drainage system will be burdened by the demands of conveying and discharging the additional stormwater runoff from the additional impervious surfaces due to new commercial, industrial, and residential uses; and

**WHEREAS**, The City Council has reviewed and considered the Storm Drainage impact fees established herein, and finds that the fees will mitigate some of the impacts associated with additional and increased infrastructure, capital improvements, and City services necessitated by new development in the City.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COSTA MESA HEREBY FINDS, DETERMINES, AND RESOLVES AS FOLLOWS:**

Section 1. The City Council hereby finds that:

- a. The foregoing recitals are true and correct and are incorporated herein by reference.
- b. The purpose of the drainage impact fee is to fund storm drainage improvements including conveyance pipelines, hydrodynamic separators and regional stormwater quality improvements within the Newport Bay and Santa Ana Watersheds within City of Costa Mesa which are directly related to the incremental increase in stormwater runoff as a result of the development of new commercial, industrial and residential uses.

## ATTACHMENT 2

- c. The fee will be used to fund drainage improvements within the Newport Bay and Santa Ana Watersheds within the City of Costa Mesa as identified in the Storm Drain System Master Plan.
- d. There is a reasonable relationship between the drainage impact fee's use and the development projects on which the fee is imposed because the storm drainage facilities funded by the fee are needed to accommodate the incremental new stormwater runoff generated by the increase in impervious acres as a result of the development of new commercial, industrial and residential uses upon which the fee is imposed.
- e. There is a reasonable relationship between the need for the drainage facilities and the development of new commercial, industrial and residential projects upon which the fee is imposed because the new development projects paying the fee will receive a direct benefit from the drainage facilities funded by the fee; the drainage facilities funded by the fee will increase the storm drainage system capacity in the storm drainage watershed directly burdened by the increase in impervious surface generated by new development projects upon which the fee is charged; the cost of storm drainage facilities attributed to existing deficiencies, existing land uses and population, excess and reserve capacity, and regional storm drainage needs have been excluded from the fee calculation, and such costs are not included in the fee to be paid by the development.
- f. There is a reasonable relationship between the amount of the fee and the cost of the public facility attributable to the development on which the fee is imposed because the fee is imposed based on the impervious acres each development incrementally adds to the storm drainage watershed in proportion to the total impervious acres within the storm drainage watershed. Calculating the fee based on total system facilities, ensuring that each land use only pays for their fair share of capacity in the storm drainage system based on the amount of impervious acres for that land use.

## ATTACHMENT 2

Section 2. The City Council hereby approves the Storm Drainage Impact Fee Nexus Study prepared by Harris & Associates and dated February 2026, and the findings contained therein. A copy of the 2026 Nexus Study shall be on file with the City Clerk and available during regular City business hours for public inspection.

Section 3. The City Council of the City of Costa Mesa hereby adopts the storm drainage impact fees for the Newport Bay Watershed and Santa Ana Watershed as follows:

- a. The Newport Bay Watershed drainage impact fee shall be a fee of \$95,015 per new impervious acre generated by all new commercial, industrial and residential developments. A detailed breakdown of the fee per land use is included as Attachment A and incorporated by this reference.
- b. The Santa Ana Watershed drainage impact fee shall be a fee of \$109,809 per new impervious acre generated by all new commercial, industrial and residential developments. A detailed breakdown of the fee per land use is included as Attachment B and incorporated by this reference.
- c. The storm drainage impact fees shall be effective on the later of: (i) the 60th day following the adoption of this Resolution; or (ii) the effective date of Ordinance No. 26-XXXX.
- d. The storm drainage impact fees established pursuant to this resolution shall be collected and administered in accordance with all requirements of California Government Code section 66000, *et seq.*, the Costa Mesa Municipal Code and prior resolutions of the City Council.

Section 4. The City Council hereby finds that adoption of the Nexus Study and the Storm Drain Capital Improvement Plan for the Santa Ana and Newport Bay Watersheds (“Capital Improvement Plan”), which serves as the Capital Improvement Program required by Government Code section 66016.5, and related amendments to the Storm Drain Impact Fees does not constitute a “project” under the California Environmental Quality Act (“CEQA”) pursuant to Public Resources

## ATTACHMENT 2

Code section 21065 and CEQA Guidelines section 15378. While CEQA requires environmental review to occur at the earliest feasible stage, CEQA does not require review of actions that are speculative, conceptual, or preliminary in nature and that do not commit the City to a definite course of action that may result in a physical change in the environment.

The Nexus Study and Capital Improvement Plan are planning-level fiscal and policy documents that identify conceptual public facility needs and provide general cost estimates for long-range capital planning, budgeting, and rate-setting purposes only. Adoption of the Nexus Study and Capital Improvement Plan do not approve, fund, or authorize construction of any specific capital improvement project; do not establish final project descriptions, locations, designs, construction methods, phasing, or schedules; and do not commit the City to proceed with any particular project identified in the CIP. The City retains full discretion to modify, defer, redesign, relocate, or decline to pursue any project listed in the Capital Improvement Plan. Accordingly, adoption of the CIP does not represent a commitment to a definite course of action within the meaning of CEQA and does not result in any direct or reasonably foreseeable indirect physical change to the environment.

Even if adoption of the Nexus Study, Capital Improvement Plan, or fee amendments were considered a “project” for purposes of CEQA, then consistent with CEQA Guidelines section 15378(b)(4), adoption of the CIP and fee amendments constitutes the establishment of a government funding mechanism and long-range fiscal planning tool. Section 15378(b)(4) provides that a “project” does not include fiscal activities or administrative actions that do not involve any commitment to a specific project or physical development. The CIP functions solely to inform budgeting, financial planning, and infrastructure funding decisions and does not authorize or entitle any physical development.

## ATTACHMENT 2

The Nexus Study and Capital Improvement Plan also qualify as a feasibility and planning study that is exempt from CEQA under CEQA Guidelines section 15262, as it evaluates potential public facility needs and funding strategies at a conceptual level, prior to the City's approval, adoption, or funding of any specific capital improvement project. Environmental review at this stage would be premature and speculative, as the City lacks sufficient project-level detail to meaningfully analyze environmental impacts or alternatives.

In addition, because the Nexus Study and Capital Improvement Plan are prepared in connection with the establishment and adjustment of fees and rates to finance public facilities, adoption of these documents and related fee amendments is exempt under CEQA Guidelines section 15273. Section 15273 recognizes that public agencies must be able to engage in fiscal planning and establish funding mechanisms to meet infrastructure and capital financing needs without triggering CEQA review before any specific project has been approved or defined.

The City further finds that adoption of the Nexus Study and Capital Improvement Plan expressly reserves full discretion to the City Council and other decision-making bodies to approve, deny, modify, or pursue alternatives for any individual capital project identified in the Capital Improvement Plan, including alternative designs, locations, phasing, or funding approaches. No construction, ground-disturbing activity, or irreversible commitment of resources will occur unless and until the City takes separate future discretionary actions to approve a specific project, following appropriate environmental review under CEQA. Adoption of the Capital Improvement Plan does not limit the range of alternatives available to the City or predetermine the outcome of any future CEQA analysis.

Finally, the City Council finds that the action is exempt under the common sense exemption set forth in CEQA Guidelines section 15061(b)(3), because it can be seen with certainty that adoption of the Nexus Study, Capital Improvement Plan, and related fee amendments, by themselves, have no possibility of resulting in a

**ATTACHMENT 2**

significant effect on the environment. Any future capital improvement projects would be subject to separate discretionary approvals and environmental review in accordance with CEQA and City practice.

Section 5. The City Council hereby adopts the Capital Improvement Plan, attached as Appendix A to the 2026 Nexus Study, as a part of the 2026 Nexus Study.

Section 6. The City Council hereby authorizes an automatic annual adjustment to the storm drainage impact fees every year starting on July 1, 2027. Each year, the fees shall be updated based on the percentage change in the California Construction Cost Index (CCI) from May of the previous year to the most recent May. The base index for the first adjustment will be the May 2026 CCI.

**PASSED AND ADOPTED this 7th day of April, 2026.**

\_\_\_\_\_  
John Stephens, Mayor

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Brenda Green, City Clerk

\_\_\_\_\_  
Kimberly Hall Barlow, City Attorney

**ATTACHMENT 2**

**THIS PAGE IS RESERVED FOR CITY CLERK'S OFFICE**

STATE OF CALIFORNIA )  
COUNTY OF ORANGE )  
CITY OF COSTA MESA )

I, BRENDA GREEN, City Clerk of the City of Costa Mesa, DO HEREBY CERTIFY that the above and foregoing is the original of Resolution No. 2026-\_\_\_ and was duly passed and adopted by the City Council of the City of Costa Mesa at a regular meeting held on the 7th day of April, 2026, by the following roll call vote, to wit:

AYES: COUNCILMEMBERS:

NOES: COUNCILMEMBERS:

ABSENT: COUNCILMEMBERS:

IN WITNESS WHEREOF, I have hereby set my hand and affixed the seal of the City of Costa Mesa this \_\_\_ day of \_\_\_\_\_, 2026.

\_\_\_\_\_  
Brenda Green, City Clerk

**ATTACHMENT 2**

**ATTACHMENT A**

**REFERENCE: STORM DRAINAGE IMPACT FEE NEXUS STUDY 2026**

<b>Land Use</b>	<b>Newport Bay Watershed Fee</b>	<b>Program Administration Fee</b>	<b>Total Newport Bay Watershed Fee</b>
<b>Fee per Impervious Acre</b>	\$ 90,490	\$ 4,525	\$ 95,015
<b>Residential (Fee per Acre)</b>			
Low Density Residential	\$ 45,245	\$ 2,262	\$ 47,507
Medium Density Residential	\$ 63,343	\$ 3,167	\$ 66,510
High Density Residential	\$ 72,392	\$ 3,620	\$ 76,012
<b>Non-Residential (Fee per Acre)</b>			
Commercial	\$ 81,441	\$ 4,072	\$ 85,513
Industrial	\$ 81,441	\$ 4,072	\$ 85,513

NOTE: Fees increase annually based on the percentage change of the California Construction Cost Index from May, of the previous year, to the most recent May.

**ATTACHMENT 2**

**ATTACHMENT B**

**REFERENCE: STORM DRAINAGE IMPACT FEE NEXUS STUDY 2026**

<b>Land Use</b>	<b>Santa Ana Watershed Fee</b>	<b>Program Administration Fee</b>	<b>Total Santa Ana Watershed Fee</b>
<b>Fee per Impervious Acre</b>	\$ 104,580	\$ 5,229	\$ 109,809
<b>Residential (Fee per Acre)</b>			
Low Density Residential	\$ 52,290	\$ 2,615	\$ 54,905
Medium Density Residential	\$ 73,206	\$ 3,660	\$ 76,866
High Density Residential	\$ 83,664	\$ 4,183	\$ 87,847
<b>Non-Residential (Fee per Acre)</b>			
Commercial	\$ 94,122	\$ 4,706	\$ 98,828
Industrial	\$ 94,122	\$ 4,706	\$ 98,828

NOTE: Fees increase annually based on the percentage change of the California Construction Cost Index from May, of the previous year, to the most recent May.

**ATTACHMENT 2**

**ATTACHMENT C**

**STORM DRAINAGE IMPACT FEE NEXUS STUDY, FEBRUARY 2026**